



FINANCE FOR MARINES





BLUF

What this brief is not:

- Mandatory
- A get rich quick plan
- A pitch for any particular stock, mutual fund or bank

What this brief is:

- Voluntary
- Exposure to basic savings and investing tools
- A get rich *slowly* plan
- An attempt to answer “How do I get started?”



AGENDA

- Pay yourself first
- Magic of compound interest
- Savings & Investment Options
- How to get started



PAY YOURSELF FIRST

Show me the money!

This staple of personal financial advice is the **cornerstone of success**. The basic premise is this: When investing for your future, setup automatic withdrawals from your paycheck or bank accounts. Just like your utility bill or car payment, the money will be taken out before you really have access to it. In the meantime, it begins to compound and you don't miss the money. (As humans, we are remarkably adaptable. If you don't have the cash, you'll find a way to get by. Sure, you may own a few less pairs of shoes or a couple less season subscriptions on iTunes, but you'll make due and after awhile, likely not notice.)



PAY YOURSELF FIRST

- How much should I save?
- The rule of thumb used to be to save at least **10%** of your take-home pay. But the answer really depends on a number of variables. Just to name a couple:
- **1.** How much do you earn?
- **2.** How much do you want to spend each year when you are retired?
- As you can imagine, the answers to 1, and 2 are different for everyone, so there is no really good rule of thumb. To help you get a better idea of what you need, you can go to choosetosave.org and use the Employee Benefit Research Institute's free Ballpark Estimate worksheet.



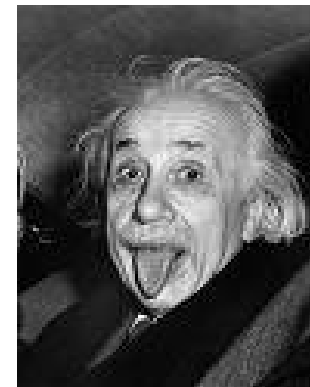
HOW TO PAY YOURSELF FIRST

- Allotment directly from DFAS
 - Set up via: Mypay.dfas.mil
 - To a checking or savings account
- Automatic withdrawal from checking account
 - Set up via: mutual fund company web site
 - To mutual fund etc...
- U.S. Savings bonds
 - Set up via: Mypay.dfas.mil
 - Current yield for EE bonds: 3.0%



MAGIC OF COMPOUND INTEREST

- “The most powerful force in the universe is **Compound Interest.**” *Albert Einstein*



- Rule of **72**:
 - **72 / Interest rate = amount of time for your money to double** (72 / 10% = 7.2 yrs) (72 / 8% = 9 yrs)
- Annual Percentage Rate (APR) vs. Annual Percentage Yield (APY)
 - Based on how frequently compounded (**watch this on loans too**)



MAGIC OF COMPOUND INTEREST

Year #	Starting Value	Multiplier	Interest Earned	Value at Year end (after Compounding)
1	\$100	10%	\$10	\$110
2	\$110	10%	\$11	\$121
3	\$121	10%	\$12.10	\$133.10
4	\$133.10	10%	\$13.31	\$146.41
5	\$146.41	10%	\$14.64	\$161.05
6	\$161.05	10%	\$16.11	\$177.16
7	\$177.16	10%	\$17.72	\$194.88
8	\$194.88	10%	\$19.49	\$214.37
9	\$214.37	10%	\$21.44	\$235.81
10	\$235.81	10%	\$23.58	\$259.39



COMPOUND INTEREST

Example at @ 10%

<u>Tax Year</u>	<u>Age</u>	<u>Investment</u>	<u>Balance</u>	<u>Extra \$4k in '09</u>
2007	25	\$4,000	\$4,000	\$4,000
2008	26	\$4,000	\$8,000	\$8,000
2015	33	\$0	\$16,000	\$22,600
2022	40	\$0	\$32,000	\$45,200
2029	47	\$0	\$64,000	\$90,400
2036	54	\$0	\$128,000	\$180,800
2043	61	\$0	\$256,000	\$361,600

-Extra \$4,000 in '09 turned into an extra \$105,000 34 years later.

-Lesson: **Invest EARLY.**





KEEP IN MIND

- Stock Market has historically returned 10% annually.
- Debt vs. Leverage
 - Debt = bad
 - Leverage = Good



SAVINGS & INVESTMENT OPTIONS

- **Bank/ Credit Union:** Safe, secure; low rate of return. Checking (0.50%), savings (1.15%), money market (3.00%), Certificate of Deposit (4.30%). Can also have an IRA or Roth IRA (1.7-4.3%)
- **Mutual Funds:** Diverse investments, professional fund managers, some risk, higher rate of return. (Can be used as IRA or Roth IRA)
- **Stocks:** Specific companies, most risk, high rate of return. (Can be used as IRA or Roth IRA)

SAVINGS & INVESTMENT OPTIONS

- **Individual Retirement Accounts (IRA):**
 - **Traditional: Pre-tax \$ so tax advantage this year but withdrawals are taxed as income. Annual Limit: 2007 \$4,000. 2008 \$5,000**
 - **Roth: Post-tax \$ so no tax advantage this year but withdrawals are tax free. Annual Limit: 2007 \$4,000. 2008 \$5,000**
- **Thrift Savings Plan (TSP):**
 - **To enroll fill out: THRIFT SAVINGS PLAN form TSP-U-1 Located on TSP.gov bring to S-1**
 - **Up to \$15,500 of pre-tax money each year**
 - **Funds: G, F, C, S, I, L**



HOW TO GET STARTED

- “Get rich slowly”
- Compare Banks & Credit Unions’ rates
- Examples of reputable, “no load” Mutual Fund companies:
 - Vanguard: www.vanguard.com
 - Janus: www.janus.com
 - T. Rowe Price: www.troweprice.com
 - USAA: www.usaa.com



QUESTIONS?

